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THE JOURNAL OF POLITICAL ECONOMY

VOLUME 30

December 1922

NUMBER 6

BRITISH ASPECTS OF UNEMPLOYMENT

The purpose of this paper is to show some aspects of the problem of unemployment in the light of British experience. This country has proceeded to a considerable degree of organization as regards insurance and the labor-exchange system; in these respects it goes farther than any other nation, and its results are therefore of special interest. As regards attempts to regularize work, there is not such clear evidence of results; but our position may with advantage be reviewed. These are the main lines of *remedy*. In respect of *prevention*, gradual work has been and is being done from many points of attack. The health of the industrial system as a whole is here involved, depending on such influences as education, industrial peace, and such amendments of the industrial system itself as make for good relationships. One general line of division is clear; prevention will be developed slowly, but distress cannot wait; we must underpin with remedial measures that are properly adequate and, taking these as a position to stand on, inquire how much better we can do. The cost of *adequate* remedies will itself compel us to look beyond remedies; not the financial cost only, but the cost in terms of waste of work and skill.

Insurance is the largest aspect of remedy. We must start by making it good and then seeing how far we can devise means to lessen the liability. For a time at least it will be the chief stand-by. We look to a time when labor will be, on the strength either of the nation's resources as a whole, or on that of particular industries, the strength implying the utmost economy with which our resources can be organized; meanwhile it must be carried even on weakness, and too much reliance on insurance has itself elements of further weakness.

II

Insurance is based on the fact of *fluctuation*. This is a different fact from *irregularity* of employment. There would be irregularity if the employment chart took a dip, then returned for a time to average, then dipped again, then averaged, then rose, averaged, rose again, dipped, and so on in any order and degree. It is because, on the contrary, there is *fluctuation* that unemployment is insurable. The average is a "good" average, and there is oscillation about it. The fact of fluctuation, good and bad times alternating, indicates that they *arise out of each other*; otherwise there would merely be irregularity. That is important also from the point of view of prevention, but vital to insurance.

The average of unemployment in this country, reckoned over the sixty years before the war, was slightly over 4 per cent. This was based on certain trade-union returns, as to which there was admittedly some doubt whether they were an adequate measure of the whole field. The Act of 1920 was actuarially based on them in a "corrected" form, and the working of that act gives some indication of their former accuracy, since direct comparison is now possible between the trade union and the public figures. It now appears that, as a general average, the trade-union figure was not far wrong; for 1920 the monthly average of the trade-union figures is 15.3 and of the public figures 14; but the latter are given as an underestimate through administrative causes during two of the months. If our average can be taken as about 4 per cent, this means that, out of twelve million insured persons,

slightly under half a million will be normally unemployed. Our average is not comparable with that of other countries, which define the fact of unemployment differently.

Four per cent might be regarded as an insurable quantity, without too heavy a burden on industry. But it does not represent the whole burden, since short time has to be included; this averaged 5 per cent of *persons* in 1921, under the public scheme, an addition of one-third. For various reasons the proper addition to *unemployment* can hardly be calculated, and it is best to leave the figures as they are. It is dangerous also to use words which imply that the burden, if insurable in amount, does not represent a grave position; the safest word is that it is *manageable*.

The British Act of 1920 is the most thorough scheme in the world of insurance against unemployment, although it has come under criticism in several ways. The *Poor Law Report* of 1909 is the beginning of the modern treatment and study of the question. That report was on the whole favorable to the method of public subsidy to trade-union funds; general and compulsory insurance did not at the time seem practicable. It is, however, on the latter lines that the government has proceeded, so that the British method is very distinct from the continental. The idea in 1909 was that a "sentiment of solidarity" was a necessary condition of contributory insurance, and that the system could not be wider than the sentiment; hence the trade-union subsidy idea. But working-class solidarity has developed very rapidly before and since the war; and the sharing of the burden by a flat rate on all workmen has not itself been a cause of strain, though the liability to unemployment has a variation between 1 and 10 per cent as between different industries. In any case, the field had to be covered; subventions to trade unions would not have covered it; something as comprehensive as the health-insurance plan was aimed at in these days of Mr. Lloyd George's social policy. It could not all be done at once; there had first to be labor exchanges, and that system had to reach a point of development such that public insurance would be safe against abuse. The Exchanges Act was passed in 1909, and insurance began for some industries in 1911. It became general in 1920,

the act being very eclectic both in what it embodied and in what, as the result of the working of the earlier acts, it omitted.

Unemployment insurance is totally different from health insurance in its analysis and working. But, of course, there is not the same difference between a mere public *liability* for sickness or unemployment. It has been suggested that insurance might have been made "free," after the plan of education, the ground of this suggestion being economy and simplicity of working, since the present system of stamps and cards and twelve million separate accounts is certainly complicated. "Free" insurance would simply be a charge on taxation, national and local, according to the needs of the year. It is not really insurance at all. The final incidence of its cost might not be very different from that of general insurance. It would give the state a very real interest in keeping industrial peace, to protect the taxpayer against the resulting unemployment charges. But it is felt that preventive work on unemployment will be more successful if it is more devolved on industries; the government is not near enough for all the details. And the mere public maintenance, subject of course to the labor-exchange test, of the unemployed does least to create a feeling of industrial responsibility for the evil. In the absence of actuarial insurance, too, the public liability would be greatest and the taxation heaviest just at the times when the national income was suffering most through trade depression.

"Free insurance" is based on simplicity of working, but another form of proposal has come from those who favor the application to unemployment of the "industrial principle." This is much more than the subsidy of Trade-union funds. The industry is to be the unit, with all its grades and varieties of labor included; a vertical slice is to be cut from top to bottom, and that will lie across any trade-union lines of organization. The industrial idea has become very prominent in England since the war; there is a distinct movement, for example, toward the guild idea for labor, toward amalgamation of unions, and toward councils of industries, under the Whitley scheme. Unemployment insurance is now one of the most commonly discussed

phases of the "industrial idea." The development has been in some ways a curious one. It has been made a criticism of the present act by leading employers that industries are far more capable than the state of administering insurance, and that they would prefer not to be interfered with. There is an obvious reply from history. There has been nothing to prevent any industry, during the last fifty years, from making proper arrangements to insure or maintain its own unemployed; industrial leaders have had a free field if they liked. But the fact is that they did not do it. It was left to the trade unions to do what they could. The state has, in the 1920 act, proceeded *in default* of the industries themselves; and it is now too late to turn on the government and ask, "Why were we not left alone?" They were left alone long enough, and nothing was done. A late repentance is better than none, and insurance by industries is being made a rival scheme to the Act, which of course was made bankrupt by the post-war depression, and has had to be subsidized. But the act was necessary in 1920, and the rival proposal will need considerable thinking out.

New machinery has certainly been devised whereby the administration of insurance, industry by industry, would be facilitated. For unorganized industries, the second Trade Boards Act of 1918 established boards whose function is not defined solely by reference to wage rates; they are *intended* also to be welfare bodies in a wide sense, and any matter concerning the industry can be referred to them. There are now sixty-three of these boards, and considerable grouping of those in allied trades is likely, in view of the recent *Report of the Cave Committee*. For organized industries, the Joint Industrial (or "Whitley") Councils have an equally wide reference, on a voluntary, instead of a statutory, basis; of these there are about sixty, the cotton industry being the most notable exception. There has been a tendency to confine the work of these bodies to wage negotiations, and if they could take up insurance they would have a function which would make for common instead of divided interests. The report of a committee of the Council of the Building Industry has become well known (the Foster report) for its bold scheme

of organization of employment. But this is exceptional. Trade boards and industrial councils are mainly wage committees, but exist as possible machinery for the application of the "industrial idea" to insurance against unemployment, as well as to preventive organization. Different industries might go on different lines, and improved schemes might develop by rivalry.

The problem of insurance on the basis of each industry for itself is in the first place one of definition. How is membership, e.g., of the cotton industry, to be defined for insurance purposes? Is a cotton operative one who *does* something or one who *makes* something? In the former case the definition is based on the machinery and processes; in the latter on the material which enters into the product. In either case there are most serious difficulties, even apart from questions of movement between industries, and transfer values. Definition by process will certainly break down; what, for example, of the engineers in the various industries? Definition by product can be illustrated by reference to the wool-textile industry, since it overlaps cotton, silk, carpets, hosiery, bleaching and dyeing, blankets, and waste. Insurance schemes cannot develop faster than the organization of industry itself allows. Of course, it may seem absurd to be defeated by definitions, but it is not really the definitions, it is the facts behind them. In the last resort there might simply be registration of firms, so as to bring the doubtful cases under one industry or another as regards final product. Then what of mobility? A mobile worker might by forced definitions be defined as to his industry *while he is employed*; to which industry is he to be allotted *when unemployed*? The industrial organism does not allow of compartmental treatment; the overlap, both vertical and horizontal, between industries is very great. Of course, there is the fact that somehow this matter of definition has already been got over; witness the Whitley councils and trade boards for industries. But anyone who sits on a trade board knows the amount of time that has to be given to questions of "scope" or demarcation; and a large part of the "industry" in the wide sense does not come under the board. That is, the group of persons who are

subject to the same risks of employment is divided between a number of boards. Distribution and clerical work have to be taken separately; the auxiliary labor, like the firemen and engineers, is in another picture altogether.

There are, in fact, three factors to take account of, in considering insurance on the industrial basis—wage rates, unemployment rates, and degree of organization. These fall together very differently. In engineering, the first and the last are favorable, the second is unfavorable; in cotton, all are favorable—yet it is the most marked absentee from the list of Whitley councils. In wool, the second is favorable, the others are becoming less unfavorable. But the degree of organization which is sufficient to define a Whitley council is not sufficient to define the scope of an insurance scheme.

The second problem would be the variation of the unemployment rate, which is from 1 to 10 per cent. While there is such a variation the more fortunate industries will of course prefer to have schemes of their own, and the less fortunate will prefer public schemes. In other words, what is called “carrying the burden of your own unemployed” may only mean evading a due share of the national burden.

The various aspects of this question were discussed by the Labour Exchanges Committee of 1920, which had before it a proposal gradually to give up exchanges and put insurance on the industries.¹ All the witnesses—official, ex-official and unofficial—with only one exception, thought that the future of insurance was on the industrial plan; but it was a future too distant to influence policy at present.

It must be clear that in any case the state cannot escape an *ultimate* liability, whatever be the immediate plan of insurance. The scheme of a particular industry may break down, or there may be gaps to fill in between schemes. Something on a public basis must then be in the background. All this seems to show that the plans of separate industries can best be instituted on the basis of a general plan, of which they are modifications in special cases; the general plan standing ready to reinsure the schemes

¹ The Geddes Economy Committee has raised the question anew.

which lapse and to insure some general handling of the problem. We must remember, too, that the rates of unemployment *for separate industries* are known only in a very provisional way as yet; a great correction had to be made on the rates estimated in the 1911 act, as the result of experience of its operation. By the time we are ready with confident knowledge, derived from the working of the general Act of 1920, the industries may be ready with organization that will be adequate in strength and definiteness to special schemes for themselves.

The Act of 1920 might be read as being based on some such idea. It is, as has been said, eclectic; it allows *some* scope for a number of ideas, within the scope of a general plan. It insures the worker as such, without reference to his industry, at a flat rate of contribution (different of course for women and juveniles), contributed mainly by the worker and the employer. The state gives a direct subsidy and also bears the cost of the labor exchanges and the system of appeals. No doubt flat rates tend to keep the contribution, and therefore the benefit, down to what the weaker industries can bear; and the benefit, never more than a pound a week for men, is held by labor to be quite inadequate at the post-war level of prices. It has been proposed, on high authority, that a percentage on the wage bill would give elasticity and enable an adequate family benefit to be paid; in this way also periods of boom would make a better contribution to periods of depression. But the problem of adequate benefit is bound up with that of labor-exchange policy. Large benefit is safe only if the exchanges can be sure that there is no malingering; and that means that they must be notified of all vacancies. It is not worth malingering for small benefits. Employers would have to submit to compulsory notification; this can be no hardship, as compared with their own plan of insurance by industries, in the administration of which they would themselves insist on complete notification. The exchange which cannot offer a job must pay benefit; therein lies the problem of adequate benefit.

The act makes allowances for three variations from the public scheme: In the first place, trade unions may themselves *admin-*

ister the scheme, in conjunction with their own benefits, and reclaim the amount of the public benefit. This does not dispense with the use of public exchanges, where unemployment books must be lodged, and where "vacant books" may be, and to a great extent are, kept for signature. Considerable use has been made of this scheme, but the depression is tending to bring the payment back to the public scheme, to save costs of administration. Secondly, it is permissible for an industry to contract out of the general scheme, provided it pays a higher rate of benefit on a scheme of its own, and receives a smaller subsidy per insured person from the state. The act was actuarially based on the assumption that about one-third of insured persons would be so contracted out, in industries with low rates of unemployment, adequate wages, and adequate organization. As this assumption has been made, the general scheme would not be weakened if they acted on it; if they do not act on it, the general scheme is so much the stronger. Very little use was made of this provision; only one special scheme, to my knowledge, was approved. Problems of definition and of organization were the most serious obstacles. The idea of special schemes was that scope would be given for the reduction of unemployment by preventive measures, such as decasualization and reduction of labor turnover, by an administration that would be close to the conditions of each industry. But so far as this consideration goes, the industries which need it most are rather those with high than those with low unemployment rates; and of course these will *not* contract out unless they receive a higher subsidy, instead of a lower one, from public funds. The whole of this section of the act is now in suspense, until we are clear of the deficits created by the present abnormal conditions. But thirdly, there is another provision which has been somewhat overlooked in discussions of the act—that for *supplementary* schemes. An industry can remain on the general scheme up to the amount of the standard contribution and benefit, while combining this with a further scheme entirely financed by itself; the point of this section being that, if the minister approves such a supplementary scheme, it becomes binding on the whole

industry. It will be seen, therefore, that those who care for the principle of "each industry looking after its own unemployment" have plenty of room for their activities and can develop their own systems with the state supporting them up to a certain point. The act can answer most of its critics on main issues.

But the controversy between the public and the industrial idea of insurance can be followed to a further result, which bears on the *use to be made* of the funds accumulated. Public benefit is paid on an absolute condition of unemployment, and of course that is wasteful, if there is any way of using such funds to keep industry going. It was proposed long ago that, in times of depression, the state should subsidize wages, so as to enable employers to cost on a lower basis and follow the market. It is doubtful if under public supervision this could be done; the danger of abuse would be too great. A firm can do this by accumulating a fund to draw on in bad times; an industry might do it, converting unemployment funds into wage equalization funds, the wage rates being plastic and the balance drawn from this reserve. Of course, this would apply to new contracts only (not to running contracts), or to the making of stock, up to so many hours a week. If we can thus get something back for the expenditure of the funds the next boom will rise less rapidly. We now have idle men receiving grants, whose work might help to prevent the next rush of overtime and high values. Industries working out their own plans might be able, through their own close and expert supervision, to turn unemployment pay into something better. At the time of writing, just 50 cents a week is being paid in contributions for each employed man, to give a benefit of \$3.50 for himself, \$1.25 for his wife, and 25 cents for each child.

III

The second aspect of British experience relates to the working of labor exchanges. The chief source of information is the *Report of the Committee of 1920*, of which I was a member. The British system, established in 1909 through the work of Sir W. Beveridge, became the most complete in the world. Every town of

any size has its exchange, with branch offices in the villages. Mobility of labor was the great idea of that time, based largely, perhaps too largely, on a study of conditions at the docks. Men can move from one dock to another without changing their homes; on a national scale the problem is not so simple. Of course, the exchanges were only part of a larger plan, but they were the pivotal idea; a good deal of the subsequent criticism and unpopularity of the exchanges was the result of failure to carry out other parts of the plan, especially that part which was to deal with the surplus which the working of exchanges would reveal. While "maintenance and training" of that surplus is undeveloped, it remains on the books of the exchanges, and in many ways this impedes their function. The exchanges will have to bear the burden of this unpopularity till they can refer a man who has been long unemployed to some means of bettering his industrial skill and status. This is the function of the proposed Unemployment Committees of Local Authorities, of which more later.

The mobility theory needs no restatement, but it is a wider idea than place mobility. Unemployment is due to misfits, as regards places, times, or occupations; not enough work in this place, or time, or occupation, and more than enough in that place, or time, or occupation. Mobility is a general remedy, whether it is the labor or the work that is moved to secure a better fit. The British government, it was stated at the Washington Conference, arranges some of its contracts so as to place them where there is most need for employment; here the work is moved to the workers. The arrangement, to be discussed later, for putting public work in hand *at the times when* trade is slack is simply the time mobility of work; it can be carried out only so far as contracts are not bound to a certain time, that is, are not urgent. Occupational mobility is, for some kinds of labor, the most difficult problem of all. Apart from good mobility, surpluses collect at places, times, or in occupations; there is a general unity in the theory. But many employers who believe in the time mobility of contracts, especially public ones, have not been very willing to assist the place mobility of labor by

supporting the exchanges. The insurance act has made the use of exchanges compulsory on workmen if they wish to draw benefit, but not on employers, even for casual engagements.

Before the Act of 1920 the exchanges were estimated to receive annually about three million registrations by workpeople and about $1\frac{1}{2}$ million notifications of vacancies by employers; and they filled about one million jobs per annum. A quarter of the total placings were women for domestic service. No statistical details existed for measuring the proportion of all placings which took place through exchanges, but it was estimated that in insured trades it *might* be a third. These figures may seem to be far below the expectations on which exchanges were started; but of course it was always intended to work exchanges in conjunction with insurance, and it is only now that the exchanges can fulfil their entire function. The theory of the exchange, however, is not becoming simply that of an insurance office; it remains essential, even for insurance, that employers should notify their vacancies; but also on the original idea of work-finding, when insurance runs at only fifteen shillings a week. A sense of responsibility by employers is the great thing to obtain, and it cannot be said that this has been generally obtained; it was pointed out by Lord Askwith in evidence that the existence of exchanges (and presumably now of general insurance) might lessen the sense of responsibility on the assumption that there was national provision.

There are some special points in the exchanges system to which attention may be drawn, in the light of our evidence. First, the important question of their function during trade disputes. The rule has been that an exchange must inform an applicant of a vacancy, even if there is a dispute; but it is also to inform him of the existence of the dispute. This operation has of course been carefully watched by labor interests, which would prefer the stronger policy of refusing to notify vacancies in places where there is a dispute. The 1920 Committee recommended that during a dispute the use of exchanges be barred to both sides. This recommendation, from which I dissented, seems liable to prejudice the position of exchange officials, since

some disputes are partial or unauthorized, and they cannot be expected to take the responsibility of deciding whether a particular dispute is to be regarded as official. Secondly, there is a question of wage rates. At present our exchanges are bound to enforce all legal rates, such as those fixed by trade boards; and they are supposed to be informed of standard rates in their own district and elsewhere. Should standard rates be enforced? That is, should the exchanges system refuse to notify a vacancy to an applicant if the wages offered are below standard? It was agreed by the Committee that they should do so but only on the authority of the minister of labor, if he is advised that the rates were agreed to by bodies properly representative of organized labor and capital. This would practically put in force the suggestion of the Committee of 1912 of the first Industrial Council, that properly representative wage agreements should be made legally binding on the entire industry. These two proposals were to meet some labor claims; it is not yet certain that they will be adopted.

From the side of employers it was held that the exchanges did not send good workmen, and, in general, that they were not efficient. All systems of labor exchanges, the use of which is not compulsory on employers, will have to face this objection for an obvious reason. If employers, by such other methods as advertisement, application to trade-union offices, or direct engagement, first exhaust the market of its best men, they cannot thereafter get anything more than the second best, to whatever agency they apply. And as many of them (or their foremen) go to the exchange in the last resort, of course the exchanges cannot often then do much for them. Many employers have no idea how their labor is engaged; they appear quite indifferent, and the exchanges have to work against that. Many of them are critical, but uninformed.

But some further organization of Exchange work is necessary, especially with a view to *specialization*. This is one of the main results of our experience. It will be remembered that the *Report of 1909 on the Poor Laws and Relief of Distress* kept its severest criticism for the system of the "general mixed work-

house," and that specialized treatment of poverty was a main idea of its proposals. But the labor exchange, which it regarded as fundamental, turned out to be a "general mixed Labor Exchange," which on this ground was unpopular with higher grades of labor and also suffered in efficiency. The craft spirit of the skilled men did not like exchanges where general laborers hung round in working clothes; they wanted privacy, specialized sections or counters, or even special exchanges. These objections were forcible, and will probably be removed in reorganization. It may be a good thing, in certain areas where there are a number of exchanges, to specialize one of them to the needs of a predominant industry; this was done in London with marked success for the building trade, which became a model of efficiency, because employers and employed regarded it as their own affair, and co-operated to make it a success. Where exchanges cannot be specialized, departments or counters may be. This would be after the plan of Berlin, but we should need a good many of them in the industrial north of England. The other aspect of specialization is with reference to the staff. Our experience shows that the placing of men in vacancies is not clerks' work but requires higher faculties; it is proposed to create a class of registrars to mark the importance of their work. These officials should be able to receive promotion without movement from the district with whose industries and conditions they have become familiar; it was a great defect that, as soon as an official became skilful, he was apt to go to a new district by promotion, all his previous knowledge of certain industries going for little or nothing in his new location. Again officials should be given constant opportunity of visiting local works; they must see the kinds of work done in each great firm, and know the right kind of fitter to send if A. B. rings up for a fitter.

Another aspect of a good system of exchanges is their relation to local interests, especially to the municipalities. The British system is a national one, while many foreign systems are only municipal. But the exchanges are not in the position of, for example, post-offices; they require the active interest and support of local opinion. Perhaps they would obtain this more

fully if they were municipal; but we have definitely gone on the national plan. Our exchanges are supervised by joint local employment committees composed equally of representatives of employers and workers, which rendered great service during the war; but, with the return to ordinary conditions, these committees have not enough to do, since they cannot appoint or discipline the staff. They can be consulted as regards policy, but there is little that they can do, so their interest declines. But a proper handling of unemployment depends on local interest and responsibility. An unemployment committee of the municipal council would create a new interest; this is now indicated as the future line of advance. The local status of the exchanges needs to be improved by more direct association with local administration.

I do not think the recent agitations to get rid of the exchanges in the interests of national economy will succeed. That part of the argument concerning unemployment which led to their establishment is still very imperfectly understood. It is not exchanges which have failed; the failure is to devise the further steps for dealing with the unemployed whom exchanges cannot place. The worst cases run out of insurance benefits, and then there is only the hated Poor Law. The provision of work or of training is the next question.

IV

There is a much repeated proposal that public authorities should so average their work as to speed it up in times of depression and go more slowly in good times. The Washington Conference re-emphasized this proposal, which has been indorsed by a succession of commissions and committees since 1909. The Development Act of 1910, Section 18, contains an explicit recommendation to this effect. This section applies specially to such schemes as afforestation, reclamation and drainage of land, construction and improvement of harbors, and of inland navigation, development of roads, and "any other purposes calculated to promote the economic development of the United Kingdom." This is a national application of a proposal which has usually

been stressed in its local applications. It is the dominant proposal for prevention of unemployment as set forth, for example, in the Prevention of Unemployment Bill brought in by the Labor Party in February, 1921. It is based, as explained above, on the time mobility of at least some part of public work. There is friction here, as in the case of place mobility of work or labor; the question is to what degree contracts are movable in time, and whether the part of public work which is thus mobile is sufficient in amount to be a makeweight for the conditions of private industry. "Sufficiency" is here not an easy thing to measure; provision of work is cumulative, acting through the purchasing power of those employed, and so bringing others into employment. It must be sufficient to start or keep the engine running.

As the reports to the Washington Conference show, very little has been done to carry out this plan; yet it keeps being repeated. If it is administratively unpractical, the sooner we know this the better. There is lack of evidence on the subject from the public authorities themselves. A Treasury Committee was appointed in 1914 to consider it, but was dissolved by the war. The officials of a great municipality, whom I consulted with regard to it, were plainly skeptical. The fact that so little has been done in this way all this time does not show that, for example under the push of a labor government, much may not be done in future. But there are strong labor interests already in many municipalities, yet the scheme hangs fire. Inaction may imply administrative difficulties, and some of these are obvious.

Of course, what is in view is not only the putting in hand of work when unemployment *has become* great; useful as that is, the larger idea is the deliberate reservation of work, *until such time* as unemployment becomes great. It is a refusal to employ at one time in order to employ at another time. That is what creates the administrative problem.

It is clear that effect will not be given to such a policy, so far as local authorities are concerned, unless there is some body with a more permanent commission than the Distress com-

mittees. Hence the committee appointed in 1918 to consider the future application of the remedies proposed in 1909 recommends that a "Prevention of Unemployment and Training Committee" should be appointed by county and county borough councils, one of whose functions should be to procure "so far as practicable, and subject to service requirements and due economy, such a rearrangement of the Council's works and services as to regularise the local demand for labour." On the same lines, the Committee of the Industrial Conference of 1919 suggested that "much more effective action could be taken if all orders for particular classes of commodities were dealt with by one government department. It would further be an advantage that all Government contracting should be supervised by one authority."

It is not proposed that public and especially local authorities should gather round them a body of employees who would be busy when the general labor market was dull and would stand off, or look for other work, when the general market was brisk. That would create an economic friction which might increase unemployment; it is the chief objection to purely distress measures that they create a fringe of underemployment which waits for municipal jobs in this way. Public contracts for clothing, printing, stationery, constructional materials, etc., would be given to private industry, which would thereby be supported in dull periods; and it follows that the effect of the policy would be felt, not only by unskilled labor, but by labor in general.

It must also be remembered that the statistician's attitude to this question is different from the administrator's. It may be possible to show, looking back on recent fluctuations, that if so much work had been postponed at one time and put in hand at another time, the fluctuation would have been less. But the administrator who has contracts to get done does not know when the next depression will be; he knows that his contracts are always getting more urgent. For example, the Corporation of Manchester is the largest employer in the north of England; 22,000 workpeople are engaged on its services. This regular work is not capable of variation inversely as the market for

private industry; on the contrary, it partakes itself of the seasonal fluctuations which affect private employment. Its "irregular" work, to use the term of the Poor Law Commissioners, consists of such things as extensions of plant, repairs, building of schools, making of roads. But these have a relation to the growth of the city and of private industry. The holding back of a new gas plant in a great city may increase unemployment, if industry cannot get proper gas facilities; the building of such a plant takes time and has to be planned to be ready by a certain time. The administrator, with hundreds of complaints a day¹ of insufficient pressure, is not very well able to delay completion by deliberate postponement to a period of unemployment whose exact arrival is uncertain. It is open to question whether the best way to regularize industry is to interrupt deliberately the supply of those public services which are most essential to development and therefore to the general level of employment. Just because this is the sphere of demand which can be controlled, it does not follow that it is the sphere which it is most expedient to control. These objections do not apply in the same way to the allocation of contracts for supplies for the *regular* services of an authority.

To take an example. Suppose that a new harbor is required. If its construction is held back until there is serious unemployment, then a demand is created at that time for constructional labor. If it had been put in hand at once, then when the same depression arrived there would have been a greater demand for the *operating* labor of dockers, stevedores, and so on; even, that is to say, when the fact of depression is allowed for. Its delay might be a cause of hastening the depression, if trade went elsewhere. It is no use intensifying a depression and then filling it in. The question is one of the urgency of the contract in relation to the future of employment as a whole.

A kind of compromise is now frequent between mere relief works and the policy of definite reservation of contracts. Public authorities, when a depression has arrived, set themselves to anticipate their needs in the way of construction, and to put in

¹ As shown in the evidence for the Manchester (General Powers) Bill of 1921.

hand certain works in advance.² It may be safe enough to get some things done sooner than necessary, though they will carry loan charges longer and may stand idle for some time when carried out, as is the case with some roads which have thus been anticipated. But if nothing has been reserved, there may be nothing suitable to do; if there is anything in regularization, a scratch policy like this is a second-best, which may become dangerously similar to relief works.

Some further points may be considered as regards the policy as a whole. It has been objected that, when public authorities borrow in order to carry out schemes of work, they merely take capital which private industry might have taken, and do not really increase employment. It is obvious that this objection could be urged against any borrower of capital, since he prevents someone else from borrowing the capital and employing the labor which he borrows or employs. Or it might be urged that the variation of the rate of interest would itself be an automatic balancing force, since it falls lower as trade is worse; but while private industry has to recover from its losses, so that the adjustment is slow, public authorities have not the same losses to cover and can enter the market at any time when capital is cheap or cheapening. The whole point is prevention, not merely remedy.

But how is there a net increase in employment? The public authority takes away some employment when trade is good and creates some when trade is worse; but an unemployed man is an unemployed man, whether he is only one of a thousand or one of ten. There is, however, the chance that unemployment will be better distributed; overtime will be lessened in the good period, and in the worse period the chance is increased of short time as against dismissal. Further, every diminution of the difference in employment between good and bad times increases the possibility of organizing the labor market; since even if it increases the fringe of chronic unemployment, as well as the amount of permanent employment, it clarifies and defines the size of the problem which is to be dealt with by other means.

² The Trade Facilities Act of 1921 gives a government guaranty for the payment of the principal or interest of loans contracted for such purposes, for a limited period.

Instead of so many "ins and outs," where half-employment on low wages is their curse, it defines so many "outs," for whom the remedy is either (a) maintenance while they are trained to a skill which will induce industry to make them regular "ins" or give them a greater wage reserve in unemployment, or (b) emigration.

There may indeed be some reaction on the sense of responsibility among private employers, if this remedy is thought to be capable of more than is the fact. Private industry ought not to be induced to think that in the boom it can work all the overtime it likes, make all the money it can, and discard on to public authorities the effects of this in the bad times which follow. A strong sense of responsibility among employers generally is the most desirable thing to create; and advocacy of public schemes should be qualified by the caution that, both as regards amount and as regards the feasibility of delay in allocating contracts, we do not know how far they will carry us.

V

We come now to the last aspect of the treatment which must be applied if the disease of unemployment is to be continuously dealt with. If industry is made more regular in time, the chance of employment is permanently increased for some workers but permanently lowered for others; and this effect is enhanced if industry is also equalized as between one place and another. It is believed to be better that industry should by these means sweat off its useless tissue. But something must be done for those whose chances are lessened, perhaps almost to nothing; otherwise it may be open to doubt if regularization does more good than harm. What is done for them should be done on behalf of industry itself, so that the surplus of labor as it exists under irregular conditions may be returnable to industry as a means of its regular expansion. This is the most difficult part of the treatment of unemployment, and the most vaguely outlined at present. Decasualization by itself intensifies the distress of some workpeople, if nothing more is done. It is not a solution to throw some persons almost out of industry on to

pure maintenance. There is no percentage of the people, short of 100, which is the limit that industry can keep on its pay-roll; but it requires the different grades of labor in the right proportions, and its expansion in terms of employment may be limited by an excess of one grade.¹ There is no excess of the world's supply of labor; invention is always finding new commodities and new industries; the aim is to find an organization of labor which will bring every person's demand for goods up to the value of his supply of goods, and to equate these values at the highest level possible. The whole treatment of unemployment is subject to this aim; it must correct faults whose result is to lower both supply and demand power. The tendency of regularization is to ascertain the extent of the fault, to define the (at present) unusable surplus; but how is it to be made usable?

The Washington Conference does not deal with this problem. A good deal of light is thrown on it by the history of the study of poverty, which has several times been brought right up against it.

Mill says practically nothing about unemployment. He thought that good and bad trade would result simply in an increase or decrease of general wage rates. His "remedies for low wages" therefore represent what now, under the régime of standard rates, are remedies for unemployment. He proposed two things:² first, poverty must by a drastic step be extinguished for a whole generation; second, educational measures must prevent its recurrence. He was obsessed by a special idea of what education should teach the working classes, namely a limitation of their numbers; but his argument is in form the beginning of the study of the surplus. He proposed to clear off the surplus by colonization, placing them on the land at home or abroad, at adequate wages. The standard of living being thus raised for everyone, education was to maintain it. His plan was not thought out, but the idea that surplus labor was to be "colonized" persisted for a long time.

¹ There is, in fact, no demand for "labor"; there are many demands for many specific kinds of labor.

² *Principles*, Book II, chap. xiii.

In his great work on poverty Mr. Charles Booth showed up what came later to be called the "stagnant pools" of surplus labor. He found that, in London, there was about 8 per cent of the people whose labor, under existing organization, was *worse than useless*. If it were entirely swept out of existence there would be a net gain to the state. This was the always underemployed casual labor of no trade, which stood round the fringe of industry, whose presence prevented the proper organization of other grades, since it mixed itself up with the general labor which is necessary for all trades, dipped into their work for a few days a week, hung round relief funds, and did not desire regular employment even if offered. This is the "competition of the very poor" to which he ascribed a great deal of the "poverty of the poor." His remedy also was a form of colonization at home, where this class would support themselves under state regulation, thereby making employment more regular for general labor, and better paid for all labor. He agreed with Mill that the scheme must be thorough and considerable.¹

The analysis of Beveridge and the *Reports of the Poor Law Commissioners* carried the argument farther by showing, as already explained, that imperfect regularization of work tended to create such surpluses in all industries; obvious in the case of dock labor, since all the unemployed congregated in one place, but less obvious in other industries where the unemployed stayed at home. Skilled men are insurable; but the less skilled part of the surplus will suffer long periods of unemployment, and for them especially the Poor Law Commissioners recommended establishments for training and maintenance, with a view to re-entry into industry on a higher qualification.

The Committee of 1918 carried this a step farther. A number of objections may be offered to the segregation of the surplus in institutions. If these institutions were themselves industrial, as on Mr. Booth's plan, it was objected that they would only compete by their products with the general market, and create some more unemployment; which might happen if their competition were concentrated on some single product. The more

¹ "Poverty Series," Vol. I, chap. vi; cf. his evidence in Cd. 365.

serious objection is unwillingness to enter a public institution, where they would be segregated as the unemployed. To overcome this it is now proposed simply that training should be available for persons shown at the exchanges to be at any time surplus, and that this training should be given in institutions "open to, and in fact used by, other classes of the community." That is to say, they would be dealt with by the method of technical instruction. Those who refuse to accept these opportunities would be sent to detention colonies. The administration of the training would be in the hands of the proposed "Prevention of Unemployment and Training Committee" of the local authority. The local employment committee of the exchanges would presumably refer to this committee persons who had been on the register for some duration of time, or who had exhausted insurance benefit. The Insurance Act of 1920 can in fact make acceptance of some training a condition of benefit.

The Committee emphasizes the point that such training should be free from any element of deterrence. Neither, however, should it act the other way, by giving a positive advantage to the unemployed, namely the training for a better job, whereby they might re-enter industry on better terms than some of those who had not been thrown out of low-skilled work. A man might be willing to give up his job in order to train for a better one, but he would not then rank as unemployed. This consideration would have to be allowed for. The administrative side of the problem as it affects institutions for training has presumably been foreseen, as the report is signed by educational representatives. The whole amount of unemployment to be dealt with in this way is, of course, only part of what the index at any time covers. A minimum of 2 per cent has been more than once estimated officially to cover those who at any moment are changing their jobs; it is the surplus over these short-term cases that has to be dealt with. Either they have run out of benefit or, being still entitled to the benefit, exchange it for the condition of maintenance under training. The personnel would be under constant change, according to the demand for men from the exchanges. Older men or failures in training will have a better

chance of unskilled work if other and younger men are trained into skilled workers.

Some conclusion of this kind is in fact forced. Simple relief, or Poor Law maintenance, is not a solution, because industry is not limited in its use for labor, if it is available in the proper forms. Neither, it is agreed, do relief works solve anything; on the contrary, they tend to make the casual life more tolerable, by a crude form of dovetailing public work in bad times. There remains emigration, in regard to which any such heroic scheme as Mill's could not be considered; it would be the last bankruptcy of our social organization if we had simply to deport our unemployed. There is a normal movement of emigrants, but distress is not its only cause, and it affects employment like any other form of mobility; but the present rates and problem of unemployment coexist with it. Subsidized emigration, even if other countries would accept our unskilled (their conditions are always becoming more strict),¹ might only increase our immigrants in times of good trade. There remains some form of land settlement at home, either for the complete removal of some labor from city congestion by permanent settlement, or, as in Belgium, as a reserve occupation for city workers. The planning of city growth might allow for this; but it is not an unskilled occupation, and it would come within the scope of a scheme of maintenance and training to fit the men of the proper temperament for re-entry into industry by this door. In general, it is a large query whether England is now a country suited for "home colonization"; we have not the spaces of America, or the diversity of products.

This part of the whole scheme bears an obvious relation to the proper regulation of the entrance of juveniles into industry. It is easier for a skilled worker to keep a job or to be trained for another job. The raising of the school-leaving age and the development of continued education are the preventive aspects of what for adults is the problem of restoration to industry. In their case the technical school is taking the place of apprenticeship; but the full enforcement of the new Education Act is

¹ See Washington Conference, *Report*, II, 66-77.

urgent, if a large amount of preventable unemployment is to be prevented. It is more urgent as a matter of mere economy, if the state intends in future to accept the recommendation of maintenance of adults under training. The addition of non-vocational education for juveniles up to a later age tends to open to their aspiration and competition other than the manual grades of industry. But faith in this entire idea is a most difficult thing to create. It requires that industry will itself march with educational preparation by the extension of opportunity to share in the government of industry. This reacts on the belief in education, and education will in turn react upon it. The study of unemployment will in the end overlap that of the system of employment. But this is too large an issue to develop here.

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